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HYDRA EXPLORATIONS

LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED MAY 31

1972

HYDRA

EXPLORATIONS LIMITED

DIRECTORS

W. C. Campbell
A. W. Johnston
Jules Loeb
W. M. O'Shaughnessy
L. E. Wetmore

OFFICERS

W. C. Campbell, *President*
Jules Loeb, *Vice-President*
W. M. O'Shaughnessy, *Secretary-Treasurer*

**TRANSFER AGENT
AND REGISTRAR**

Guaranty Trust Company of Canada
Toronto and Montreal

AUDITORS

Campbell, Lawless & Punchard
Toronto

HEAD OFFICE

Suite 1600, 100 Adelaide Street W., Toronto 1, Ontario

DIRECTORS' REPORT

TO THE SHAREHOLDERS:

This 13th annual report of your company includes financial statements for the fiscal year ended May 31, 1972. It is also an opportunity to review exploration activities conducted on Hydra's properties and on properties in which the company holds interests.

MINERAL PROPERTIES

In Ontario's Sturgeon Lake area, Hydra had optioned an 18-claim holding to Rio Tinto Canadian Exploration Limited. The property is located some eight miles north of the base metal discovery of Mattagami Lake Mines. The Rio Tinto organization carried out a program of geological and geophysical testing. Results from this work were negative and the claims have been returned to the company.

Also in northwestern Ontario, Hydra has a 22½% interest in claims in the Winisk Lake region where the Keevil Mining Group executed a program of exploration. Results were disappointing and the work was suspended with no plans for further testing.

In the Northwest Territories Hydra participated with three other companies in a geophysical program covering several areas in the Great Slave Lake region. Ground follow-up work was undertaken last year. During the past summer diamond drilling was performed on some favorable, mineral-bearing features.

Values in precious metals, copper, lead and zinc were obtained in this program, however they were too low to be of economic grade in this region of the country. The syndicate has, at present, no plans for further exploration.

Two important interests in gold situations are held by the company. One is the joint interest in 68 claims in the Northwest Territories with Discovery Mines Limited; the other is Hydra's seven-claim gold property in northwestern Quebec.

A program to re-evaluate Hydra's gold property in Malartic Township, Quebec, was undertaken this summer. Seven diamond drill holes, representing a total of 3,947 feet, were completed. Results from this drilling failed to confirm values that had been encountered in previous exploration. There are, however, other sections of this property to be tested and management is optimistic that with a continuing strong price for gold the property will prove of merit with development potential.

Earlier this year Hydra completed an agreement with Discovery Mines Limited to pool Hydra's 44 claims with 24 claims held by Discovery in the Indin Lake area of the N.W.T. Under the agreement, the two companies share equal interest in the total 68 claims and in any future exploration program. Previous exploration on these claims has disclosed large-tonnage, low-grade gold occurrences.

PETROLEUM PROJECT

Hydra is participating with a number of partners in an oil and gas project in southwestern Ontario. To date, 38 shallow well tests have been drilled. The program will continue. The company has a 10% interest in this venture.

The company continues to investigate potential mineral projects and examine property proposals brought for consideration.

On behalf of the board,



W. CLARKE CAMPBELL,
President.

Toronto, Ontario,
October 30, 1972.

HYDRA

EXPLORATIONS LIMITED

AMALGAMATED UNDER THE LAWS OF ONTARIO

BALANCE SHEET—MAY 31, 1972

ASSETS		1971
Cash in bank and short term bank deposits	\$ 158,482	\$ 234,380
Interest and sundry receivables	562	1,296
Investments in shares of other mining and oil companies, at cost less proceeds of sale		
Listed (Consolidated Canadian Faraday Limited) (quoted market value 1972 — \$101,410; 1971 — \$141,756)	\$ 266,854	266,854
Listed (other)	—	6,441
Unlisted (quoted market value 1972 — \$550; 1971 — \$1,650)	5,401	5,401
	272,255	278,696
Mineral claims, rights and interests, at cost	366,440	368,590
Preproduction expenditures	1,545,649	1,438,353
	<u>\$2,343,388</u>	<u>\$2,321,315</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Hydra Explorations Limited as at May 31, 1972 and the statements of deficit, preproduction expenses and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of the Company as at May 31, 1972 and the results of its operations and its source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
October 13, 1972

CAMPBELL, LAWLESS & PUNCHARD
Chartered Accountants

LIABILITIES

1971

Accounts payable and accrued liabilities \$ 11,500 \$ 13,423

Capital Stock (note 1)

Authorized

5,000,000 shares without par value

Issued

4,050,040 shares \$2,600,040 4,050,040

Less discount thereon — 1,450,000

2,600,040 2,600,040

Deficit 268,152 292,148

2,331,888 2,307,892

\$2,343,388 \$2,321,315

Notes 1. Articles of Amendment effective January 11, 1972 changed the 4,050,040 issued shares and the 949,960 unissued shares of the par value of \$1.00 each in the capital of the corporation to shares without par value.

2. Exploration and development expenses — mineral claims totalling \$62,345 include exploration expenses incurred in two joint exploration programs as follows:

Winisk Lake, Ontario \$23,842

Victory Lake, Northwest Territories 26,812

Approved by the Board:

W. C. CAMPBELL, Director.

W. M. O'SHAUGHNESSY, Director.

PREPRODUCTION EXPENSES

YEAR TO MAY 31, 1972

		1971
Balance beginning of year		
Predecessor companies	\$1,021,530	\$1,167,756
Amalgamated company	416,823	341,032
	<u>1,438,353</u>	<u>1,508,788</u>
Exploration and development expenses — mineral claims (note 2)		
Engineering and geological services and expenses ..	\$ 17,106	7,302
Government fees, licences and acreage taxes	3,594	4,365
Diamond drilling	10,696	2,939
Field and camp supplies, travel and accommodations	7,326	4,860
Aircraft charter	14,867	5,423
General	2,808	2,020
Surveying and linecutting	<u>5,948</u>	<u>34,834</u>
	62,345	61,743
Exploration and development expenses — oil participations — Drilling	32,000	—
Administrative expenses		
Head office and accounting services and expenses	6,000	6,000
Legal and audit	817	2,490
Miscellaneous	300	307
Stock exchange fees and expenses	500	300
Transfer agents' fees and expenses	7,761	8,033
Government fees and taxes	497	477
Shareholders' information and publicity	5,225	5,047
Directors Fees	<u>550</u>	<u>350</u>
	21,650	23,004
Total preproduction expenses for year	<u>115,995</u>	<u>84,747</u>
	1,554,348	1,593,535
Deduct preproduction expenses written off to deficit —		
Amalgamated company	8,699	8,956
Predecessor companies	<u>—</u>	<u>146,226</u>
	8,699	155,182
Balance end of year	<u>\$1,545,649</u>	<u>\$1,438,353</u>

DEFICIT

YEAR TO MAY 31, 1972

		1971
Balance beginning of year	\$ 292,148	\$ 138,433
Add — Mineral claims abandoned (\$3,500) and preproduction expenses relating thereto (\$8,699) written off	\$ 12,199	169,182
— Advances to other mining companies written off	—	619
	12,199	169,801
	304,347	308,234
Deduct — Interest earned	8,725	16,086
— Gain on sale of investments	27,470	—
	36,195	16,086
Balance end of year	<u>\$ 268,152</u>	<u>\$ 292,148</u>

SOURCE AND APPLICATION OF FUNDS

YEAR TO MAY 31, 1972

		1971
Cash in bank and short term bank deposits beginning of year	\$ 234,380	\$ 307,303
Receipts		
Interest and sundry receivables	\$ 9,459	15,527
Proceeds of sale of investments	33,911	—
	43,370	15,527
	277,750	322,830
Disbursements		
Purchase of investments (net)	—	6,441
Purchase of mining claims	—	1,700
Cost of staking mining claims	1,350	4,010
Exploration and development expenses	96,498	52,759
Administrative expenses	21,420	22,921
Advances to other mining companies	—	619
	119,268	88,450
Cash in bank and short term bank deposits end of year	<u>\$ 158,482</u>	<u>\$ 234,380</u>

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Printed in Canada